App. F. IX-4

Previous References (1929-30 G.7)

File No. 6-30

Serial Nos. 45

Later References

PRESERVED

General and Revenue Secretariat

Serial Nos. P.6/(E)

Part B for May 1930

SUBJECT

Copies of Comptroller's letter to Messrs Coutts & Co London with their reply re: prospects of next loan being floated in England.

Filed

G7 6-80-43

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT
OF HIS HIGHNESS THE MAHARAJA OF MYSORE,

Confidential

No. 128 8pl Bangalore, dated 8th May 1930.

FINANCIAL SECRETARY
10 MAY 1930

G796 10/5

GENL. & REV. SECTT.
5060.
10 MAY 1930
FINANCIAL BRANCH.

From

S. SHAMANNA, Esq., B.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

To

Rajasevaparayana
B. Srinivasa Iyengar, Esq., B.A., B.L.,
Financial Secretary to the Govt. of Mysore
Bangalore.

Sir,

I have the honor to forward herewith for the information of Government copies of my letter No.107/Spl dated 27th March 1930 to Messrs Coutts & Co., London, and of their reply to it dated 17th ultimo regarding the prospects of our next loan being floated in England.

2. The terms mentioned by Messrs Coutts & Co. are apparently too unfavourable for us to consider.

I have sent them a reply acknowledging their letter and stating that it has been sent up to Government.

I have the honor to be,
Sir,
Your most obedient servant,

S. Shamanna
Comptroller

This proposal has been dropped.
Messrs Coutts letter to the Dewan.

COMPTROLLER'S OFFICE
20 MAY 1930
BANGALORE.

Draft sent
12/5/30

May the file be sent to Comptroller for instructions?
15-5-30

May be filed after perusal by Comptt
17/5/30

Q.O. no 2230/Bombs dt 21.5.30

Seen and returned with Compliments

Thanamma
for Comptr.
22/5/30

21/5/30

To
The Financial Secretary to Govt

22/5/30

Letter No.St/GH.17 dated 17th April 1930 from Messrs Coutts & Co., Bankers, London, to the Comptroller to the Govt. of Mysore, Bangalore.

Yours Reference 107/Spl

We are favoured with your letter of the 27th ultimo, and we observe that the Mysore Government propose to raise a loan of about £ 750,000. for the purpose of financing Irrigation and other capital works.

In reply to your enquiry, we beg to say that under present conditions in India, it is extremely difficult to say on what terms such a loan, which would, of course have to be in sterling and probably in the form of bonds to bearer, could be issued in London. The terms would largely depend on the Report of the Simon Commission, the publication of which we understand is expected shortly.

Subject, however, to improvement in the political outlook in India and the Report of the Simon Commission being considered favourable and to the Mysore Government being able to show satisfactory figures and safeguards for security of the loan, we are inclined to think that it might be possible to underwrite a 20/30 year loan on about a 6½ per cent basis. This could either take the form of a 6½ per cent loan at par or a 6 per cent loan at an appropriate discount.

Exemption from all Mysore Government taxation, present and future, would have to be an essential feature and redemption by a Sinking Fund operating by means of drawings at par or by purchase below with money remitted regularly to London would be highly desirable. It would also be important to know what revenue it is estimated would be produced from the capital works

It will be necessary to have the financial record of ~~the~~ the State over a period of, say, the last - five years, showing revenue and expenditure, debt and taxation per head, the chief sources of revenue, and power of the State, if any, to impose further taxation, also a statement showing the internal and external (if any) Loans now outstanding, granted to the State, and the native and white population, also the extent to -- which the State owns public utilities and productive - assets, such as traction, water, lighting &c.

Again, whether the proposed Loan would have or could legally be granted a charge on any special source of -- revenue and whether it could be made a mortgage on any - property, such as Railways, &c

As regards the expenses of issue, these may be taken at approximately 3 per cent, to include Underwriting, say 1½%, Brokerage ½%, Allotment Commission ¼%, Printing and Advertising Prospectus &c ¾%, exclusive of any fee to the Bank. In addition the cost of printing the Bonds and coupon Sheets would be about £ 250/-.

There remains the question of stamp duties, and, after consultation with the Inland Revenue Authorities, the special exemption granted to Colonial Government and - Municipality issues does not appear to apply to such a Loan as this. It must therefore be assumed that on -- Bearer Bonds a £ 2.per cent Stamp Duty will be payable and that Registered or Inscribed Stock will be subject to the usual transfer stamp of 1 per cent. In the event, however, of Bearer Bonds being issued, which would be -- exempt from the transfer stamp, it is not improbable that a rather better price might be obtained

Should you think these conditions sufficiently

favourable for the issue of a Loan in London, we should have pleasure in offering our services as Bankers to the issue.

Copy

D. Li. Sugandwalla
Superintendent 9. 5. 30.
Comptroller's Office

Letter No.107/Spl dated 27th March 1930 from the Comptroller in Mysore, Bangalore, to Messrs Coutts & Co. , Bankers, London.

I have the honor to state that the Mysore Government intend to go in for a long term (say 20 to 30 years or so) Public Loan amounting to about a crore of ruppes for - - financing Irrigation and other capital works after the present busy season is over. The loan will be secured on the Revenues of the Mysore Government and will in all probability be exempt from Mysore Income Tax. The Mysore Government would like to know whether it will be possible to negotiate it successfully in London and if so, at what rates of interest and under what conditions.

2. The favour of an early reply is requested

Copy

D. Lr. Emmanuel Chetty
9.5.30.

Superintendant
Comptroller's Office.